



ADC 335

**INQUIRY INTO THE CONTINUATION OF ANTI-DUMPING
MEASURES APPLYING TO**

**CLEAR FLOAT GLASS
EXPORTED FROM**

**THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF THE
REPUBLIC OF INDONESIA AND THE KINGDOM OF THAILAND**

VISIT REPORT - EXPORTER

GUARDIAN INDUSTRIES CORP LIMITED

May 2016

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
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1 BACKGROUND

On 2 December 2015, in accordance with subsection 269ZHB(1) of the *Customs Act 1901*¹, a notice² was published on the Anti-Dumping Commission's (Commission's) website inviting certain persons to apply to the Commissioner for the continuation of anti-dumping measures applying to clear float glass exported to Australia from the People's Republic of China, the Republic of Indonesia and the Kingdom of Thailand (Thailand).

On 1 February 2016, Viridian, a member of the Australian industry producing clear float glass, lodged an application for the continuation of the anti-dumping measures.

Following consideration of the application, the inquiry was initiated and public notification of initiation of the inquiry was made on 23 February 2016. Anti-Dumping Notice No. 2016/19 provides further details of the initiation and is available at www.adcommission.gov.au.

Following this initiation, the Commission wrote to Guardian Industries Corp Limited (Guardian) and other exporters of clear float glass inviting them to cooperate with the inquiry. Guardian cooperated and submitted a completed exporter questionnaire response (EQR) and relevant attachments for the inquiry period (1 January 2015 to 31 December 2015).

¹ A reference to a division, section or subsection in this report is a reference to a provision of the *Customs Act 1901*, unless otherwise specified.

² Anti-Dumping Notice No. 2015/137.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the inquiry period Guardian exported clear float glass to Australia in five different thicknesses, ranging from three millimetres (mm) to eight mm.

All clear float glass produced by Guardian for Australian customers was made to order, and therefore no stock was kept on site.

2.2 Like goods sold on the domestic market

During the inquiry period Guardian also sold clear float glass to domestic customers in the same thicknesses as those exported to Australia.

Unlike goods produced for export, Guardian indicated that goods for domestic sale are produced both to order and from stock, depending on specifications.

2.3 Model matching

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- do not appear to be distinguished from the exported goods during production (other than by different codes, which can be altered in the system);
- are produced at the same facilities and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

For the purpose of model matching, the visit team considers that it is appropriate to have regard to product thickness as well as sheet length and width.

2.4 Like goods – preliminary assessment

The verification team considers that clear float glass produced by Guardian for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) Act.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

In its EQR, Guardian provided a detailed spreadsheet listing its Australian export sales of clear float glass during the inquiry period (**Confidential Appendix 1**).

The verification team verified the completeness and relevance of Guardian's export sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during the verification process.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Guardian's export sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified three issues relating to sheet size (see 3.2.1), exchange rates (see 3.2.2) and handling and other costs (see 3.2.3) during the downwards verification of export sales to Australia. The remainder of downwards verification identified no further issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2.1 Sheet width and length

During the visit Guardian submitted a revised spreadsheet for Australian Sales that included the cut sheet size (width and length) of each clear float glass sheet and their own dumping margin calculation. This was in addition to the data required for the EQR. The revised Australian Sales spreadsheet was consistent with the data provided with the EQR.

Guardian provided this based on the fact that clear float glass is also cut to specific sizes for its domestic customers, while sold in standard sizes to Australian customers. Guardian stated that cutting to a specific size involves a price premium, and therefore it would be appropriate to model match to cut sheet size in addition to product thickness.

The verification team reviewed the data resubmitted by Guardian and noted a number of concerns.

- Guardian calculated dumping margins for each thickness using tonnes and then calculated a weighted average dumping margin using area by thickness from the 2010 investigation. Guardian claimed its volume mix in 2015 was not representative.
- Guardian matched near exact dimensions that only differed by less than the +/- 2mm tolerance permissible under AS/NZS 2208:1996.
- For certain export sheet sizes Guardian did not match these to domestic sales as the exact or near exact sheet size was not sold domestically.

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The verification team reviewed the data resubmitted by Guardian and noted that prices varied by sheet size. However, the verification team considers that the issue of 2015 volumes was one for deciding if the measures should be continued rather than a calculation of a dumping margin for 2015.

In any event, for the accuracy of the dumping margin calculation, the verification team has decided to include cut sheet size as part of the model matching criteria. Where an exact product thickness and cut sheet size could not be matched exactly, the verification team has substituted a similar domestic model with the same product thickness and the closest cut sheet size match. This slight difference in sheet size (width and length) is immaterial and deemed appropriate for model matching purposes.

3.2.2 Exchange rate

The verification team identified one sale that was made in Australian Dollars (AUD) as opposed to United States Dollars (USD) which all other sales were made in. This was identified as having been incorrectly entered due to the monthly rate being included and not the actual rate. The value in the export sales spreadsheet was found to be correct as it was downloaded from Guardian's accounting system rather than the value calculated using the identified exchange rate. The verification team corrected this error and found no other similar errors.

3.2.3 Handling and other costs

The verification team noted a slight variation between source documents and the Australian export sales listing. Guardian explained that this error was a result of incorrectly entering the customs fee into their system. The verification team amended the handling and other costs during the visit to reflect the actual costs incurred. The verification team considered this variance immaterial but the data was amended for completeness.

3.3 The exporter

For all Australian export sales during the inquiry period, the verification team considers Guardian to be the exporter of the goods.³

3.4 The importer

The verification team considers that, in relation to the goods⁴ exported by Guardian, the customers listed in the Australian sales spreadsheet were the beneficial owners of the goods at the time of importation and therefore were the importers of the goods.

³ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

⁴ Section 2.1

3.5 Related customers

The verification team did not identify any Australian customers which were related to Guardian based on the company's EQR, sales data and audited financial statements.

3.6 Arms length

In respect of export sales of clear float glass to Australia by Guardian during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

The verification team therefore considers that all sales of clear float glass exported to Australia by Guardian during the inquiry period were arms length⁵ transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

⁵ Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as being at arms-length. These are where: there is any consideration payable for or in respect of the goods other than price; the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

In its response to the exporter questionnaire, Guardian provided quarterly cost to make and sell (CTMS) data for clear float glass manufactured during the inquiry period (**Confidential Appendix 2**). This cost data was provided separately for the Australian and domestic markets on a per tonne basis.

The verification team verified the completeness and relevance of Guardian's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not find any issues with the verification of costs to audited financial statements.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Guardian's costs in the audited financial statements by reconciling them to source documents in accordance with ADN No. 2016/30.

The verification team identified one issue relating to depreciation (4.2.1 below) during the downwards verification of cost data. The remainder of downwards verification identified no further issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.2.1 Depreciation

The verification team identified that depreciation had not been included in the calculation of Guardian's CTMS for both export and domestic GUC. However, as depreciation had been provided in the spreadsheets across all products, the verification team was able to apportion depreciation to the GUC. This resulted in a slight increase in the CTMS per tonne.

4.3 Related party purchases

The verification team did not identify any potential suppliers that might be related to Guardian, based on its EQR and documentation supplied for the purpose of verification.

4.4 Cost to make and sell – summary

Having verified Guardian's CTMS data for clear float glass to audited financial accounts and to source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

Guardian's revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Guardian's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team identified one issue relating to volume (see 5.1.1) during the upwards verification of domestic sales. The remainder of upwards verification identified no further issues.

Details of the verification are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.1.1 Volume

When reconciling the sales volume to the financial statements, the verification team noticed a slight discrepancy. It was identified that the sales listing did not include the last four lines of sales from the source ledger. This minor discrepancy was rectified at the visit, and the additional four sales were included. The verification team considered this variance immaterial but the lines were added for completeness.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of Guardian's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified two issues relating to sheet size and width (see 5.2.1) and refunds (see 5.2.2) during the downwards verification of domestic sales. The remainder of downwards verification identified no further issues.

Details of the verification are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2.1 Sheet width and length

During the visit Guardian submitted a revised spreadsheet for Domestic Sales that included the cut sheet size (width and length) of each clear float glass sheet. This is in addition to the data required for the EQR. The revised Domestic Sales spreadsheet was consistent with the data provided with the EQR.

Reasoning for providing cut sheet sizes, and its involvement in model matching is discussed in section 3.2.1.

5.2.2 Refunds

The verification team identified that there were a small number of invoices that appeared to have been reversed twice (refunded double the amount). The visit team assessed the impact of these reversals and determined that these refunds were immaterial and made no material impact on normal value calculations.

5.3 Related customers

The verification team did not identify any information that might suggest any of its Domestic customers were related to Guardian based on the company's EQR, sales data and audited financial statements.

5.4 Arms length

In respect of Guardian's sales of clear float glass to unrelated customers during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales by Guardian during the inquiry period were arms length transactions.

5.5 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of clear float glass to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.6 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia.

The verification team found there was a sufficient volume of domestic sales made in the OCOT for all models of clear float glass exported to Australia during the investigation period.

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5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing provided by Guardian is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1).

The domestic sales spreadsheet is at **Confidential Appendix 3**.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of the goods exported to Australia, the following adjustments were made to the normal value⁶.

6.1 Credit terms

The verification team considers a downwards adjustment to the normal value for domestic credit is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the credit days listed for each domestic transaction and the average mid-range short term borrowing rate over the period of the inquiry.

The verification team considers an upward adjustment for export credit terms are required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based credit days listed for each export transaction and the average mid-range short term borrowing rate over the period of the inquiry.

6.2 Packaging

The verification team considers a downwards adjustment for domestic packaging expenses is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on verified packaging expenses.

The verification team considers an upwards adjustment for export packaging expenses is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on weighted average export packaging costs reported and verified in the export sales spreadsheet and applied on a per tonne basis. These costs were also reconciled back to the costs ledger.

6.3 Inland freight

The verification team considers a downwards adjustment for inland freight is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the actual inland freight expenses verified in the domestic sales spreadsheet.

The verification team considers an upward adjustment for export inland transport is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on the weighted average inland freight expenses and port charges from actual export expenses reported and verified in the export sales spreadsheet.

6.4 Commissions

The verification team considers a downwards adjustment for domestic commission is required to ensure a fair comparison to the export price. The verification team applied a

⁶ In accordance with subsection TAC(8)

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downwards adjustment based on the actual commission expenses verified in the domestic sales spreadsheet.

The verification team considers an upwards adjustment for domestic commission is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on the actual commission expenses verified in the export sales spreadsheet.

6.5 Warehousing

The verification team considers a downwards adjustment for warehousing is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the differential between warehousing costs for domestic goods as opposed to Australian goods.

6.6 Export Tax credit

The verification team considers a downwards adjustment for a tax credit required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment to all sales of clear float glass.

6.7 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.

Adjustment Type	Deduction/addition
Domestic credit	Less an amount for domestic credit
Domestic packaging	Less domestic packaging expenses
Domestic inland freight	Less an amount for domestic inland freight
Domestic commission	Less an amount for domestic commission
Domestic warehousing	Less an amount for domestic warehousing
Export credit	Add an amount for export credit
Export packaging	Add an amount for export packaging
Export inland transport and port charges	Add an amount for export inland freight and port charges
Export commission	Add an amount for export commission
Export handling and other	Add an amount for export handling and other
Tax credit	Less tax credit

7 NORMAL VALUE

The verification team is satisfied that it found sufficient volumes of domestic sales of clear float glass for all models exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of clear float glass for those models are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as the basis for normal values, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in Chapter 6 above.

Normal value calculations are at **Confidential Appendix 4**.

8 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the inquiry period.⁷

The dumping margin in respect of clear float glass to Australia by Guardian for the investigation period is **8.8%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

⁷ In accordance with subsection 269TACB(2)(a).

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9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	Revised CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program, with attachments